

Entrepreneurship

Unit 3.2: KEY

Creating the Business Plan

Student: _____ Date: _____ Period: _____

1. The Business Plan format used in this unit closely follows which DECA competition event?

“DECA Entrepreneurship Participating”

2. If the teacher decides to have students write a business plan using this DECA format, how many pages will it contain?

10 pages

3. What is the web address to locate the recommended DECA guidelines?

<http://www.deca.org/pdf/ENPI-ENPFguide.pdf>

DECA Business Plan Format
Section I: Executive Summary
Section II: Analysis of Business Situation Rationale and marketing research, Description of Business, Self-analysis, Analysis of the business opportunity, customer and location, and Proposed organization
• Section III: Marketing and Promotional Plan
• Section IV: Financing Plan – Income Statements, Amortization, and Return on Investment

4. Section I: Executive Summary

- Summarizes the main points covered in the business plan.
- Even though the Executive Summary is the first page of the document, it is usually written last...thus the word “summary”

5. Section I: Constructing a Mission Statement

- A mission statement: *Expresses “specific” goals for the company*
- Example:
“To maintain 30 lawns on a weekly basis by the end of the first year”

6. Section II: Explain Rationale for Starting Business by Utilizing Market Research

The Market Analysis section:

- ***Presents your market research***
- ***Features a customer demographic profile***
- ***Identifies and analyzes competitors and explains your competitive advantage***
- ***Addresses industry trends and growth***

7. Section II: Description of Company, Products/Services, and Customers

Includes:

1. History and background of idea
2. Describes the product or service
3. Discusses features and benefits of the products/services offered and how it benefits the customer
4. Discusses target market, market segments, or market niche served
5. Assess locations

8. What is often a critical factor in the success of a business, especially for retail stores?

LOCATION

9. What concepts dealing with location should be explained in detail in your business plan?

- ***Zoning & Parking***
- ***Square footage***
- ***Traffic counts***
- ***Accessibility***
- ***Visibility of site***
- ***Costs (Lease, taxes, renovations)***
- ***Nearby businesses, including target market***

10. Section II: Select a Form of Ownership

Types of Legal Ownership:

1. ***Sole Proprietorship***
2. ***Partnership***
3. ***Corporation***

11. Two types of Corporations: Subchapter S Corporation and C-Corporation.

12. Name another legal form of Ownership: Limited Liability Company

13. Describe the characteristics of the three types of legal ownerships.

	Sole Proprietorship	Partnership	Corporation
Characteristic #1	Owned and operated by one person	Business with 2 or more owners	Registered by state and operated apart from its owners
Characteristic #2	Easy to create	Partners do not have to share equally	Lives-on after owners die or have sold interest
Characteristic #3	Receives all profits, incurs any losses, and is liable for the debts of the business	Division of partnership interests spelled-out in Partnership Agreement	Ownership represented by shares of stock–public or private
Characteristic #4	Most entrepreneurs switch to another form as business grows–more personal financial protection		

14. Describe the characteristics of the two types of corporations:

C-Corporation

1. The most common corporate form for large businesses (i.e., Federal Express, Microsoft)
2. Can create status that may assist in getting loans
3. Shareholders are owners of the corporation
4. Required to have an elected Board of Directors to make decisions for the company
5. Structured to accommodate employee benefits; i.e., pensions, retirement plans, and profit sharing

Subchapter S Corporation

1. Designed for owners of smaller companies who want the liability protection of a corporation, but want to avoid double taxation
2. In smaller private corporations, the founders generally hold all—or a majority—of the stock.

Explain Pass-through Taxation:

- Profits are taxed once at shareholder's personal tax rate
- Shareholders liable to amount invested

15. In smaller private corporations, the founders generally hold how much stock?

All or the majority of stock

16. Other forms of ownership include a Limited Liability Company and **Nonprofit Corporations**

17. Before you start your company, who should you consult to determine the proper form of legal ownership?

State Accountants Attorneys

18. Section II: Organizational Structure and Management Skills

Define Organizational Structure: *A plan which shows how the jobs in your company relate to one another*

19. Which size of company would have more layers of management? *Smaller* **Larger**

20. Define Organizational Chart: *A graphic representation of the organizational structure.*

21. The “Management and Staffing Section” should provide a **job description** for each position.

22. The “Management and Staffing Section” should show that you and your staff have the: **experience**, **maturity**, and **common sense** to manage your business well

23. Good Management Skills include:

- | | |
|-------------------|-------------------------------------|
| ● Human Relations | ● Problem Solving & Decision-making |
| ● Communications | ● Technical Skills |
| ● Networking | ● Time Management |
| ● Math | ● Conceptual Skills |

24. Section III: The Marketing Mix (the 4 P's)

- ***Product***
- ***Price***
- ***Place***
- ***Promotion***

25. Products/Services

Answers: *What are you selling?*

- Give example of Product brands: *Ford, Dell, Kellogs*
- Give example of Product Mix: *Used cars: Ford, GMC, Chrysler, Toyota, Kia*
Ford only: Trucks, SUVs, Sedans, Hybrids
- What is Inventory: *Keeping track of available stock of goods*

26. Pricing Strategies

Answers: *How much is it?*

- List 7 pricing strategies:
 1. Mark-up
 2. Cost-based
 3. Competition-based
 4. Demand-based
 5. Psychological Pricing
 6. Discounting
 7. Credit

27. Channels of Distribution

Answers: *Where can I get it?*

- Define Channels of Distribution: *The path a product takes from producer to final user (consumer)*
- What are the two types of channels? *Direct* and *Indirect*
- Why would you use indirect distribution methods—or intermediaries?
Use if results in lower cost than you would charge if you were handling all the phases of distribution yourself or if middle men have a “ready-made” network for wider distribution.
- Channels of Distribution include what three areas?
 1. Transportation
 2. Storage
 3. Product handling

28. Promotional Mix

Answers: *Why should I buy it?*

- *Advertising*: Paid non-personal presentation of ideas directed toward a mass audience.
- *Publicity*: Free placement of newsworthy items about company, etc. in the media.
- *Personal Selling*: Giving an oral presentation to one or more potential buyers.
- *Promotions*: Use of incentives or interest-building activities to create demand. Be creative!!